

Note for Schardt, Jim

*** URGENT ***

From: Nelson, Jack
Date: Thu, Dec 9, 1993 4:38 AM
Subject: Results of JT Meeting
To: Beane, Tim; Carboni, Judy; Garguilo, Thomas; Houghton, Ken; Jones, Jan; Lindon, Tim; Parrish, Steve; Schardt, Jim; Smith, Owen; Stewart, Hazel

MEETING RESULTS

Simply stated, JT told us that now is not time for PM and JT to work together on a non-traditional cigarette because they are working on their own product. Specifically, JT made the following points:

- 1--JT was working on its own non-traditional cigarette
- 2--JT's cigarette was a different approach from the one they had seen in our patents
- 3--JT had some outside help but not in a joint venture sense
- 4--JT wanted to see if it could make a product whose taste and price were acceptable to Japanese consumers (and JT was unsure it would be acceptable)
- 5--JT might come back to us if it determined it could not make a non-traditional cigarette acceptable to consumers and see if we still wanted to work with them

NEXT STEPS:

JT's admission that they are working toward marketing a non-traditional cigarette in Japan means that we have to accelerate "Plan B," specifically:

1--Enlist Sanyo as battery supplier and possible integrator and, when appropriate, Mitsui as distributor in Japan and worldwide for the lighters to obtain two major allies in Japan. We should schedule comprehensive meetings with Sanyo in early January and have them sign confidentiality agreements in advance of the meetings so we can lay out our plans. We will also lock up all our other suppliers by the end of January.

2--Take whatever legal steps we can to have our patents approved in Japan to preclude a JT challenge to them. We should also make clear to JT that any challenge of our patents in Japan would significantly undermine our relationship with them. We should also review all JT's patents to see if we can ascertain what type of cigarette they are developing.

3--Accelerate our commercialization time line as much as possible by eliminating all resource barriers (in terms of people and money) to moving Beta to market.

I will in the air Thursday and Friday, home over the weekend, in NY on Monday, and in Richmond Tuesday and Wednesday. I believe GCB will want to meet on this development Monday afternoon so I will leave for Richmond on the late flight.

P.S.: Cliff, what is date for ADL person to brief me on latest info he has? Pls let me know.

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